

**SPRING 2019 REFORM BAROMETER – SWEDEN**

**European Semester - Overall assessment of 2018 cycle**

	<b>To what extent do you agree with these statements:</b>		<b>Detailed comments</b>
1.	The National Reform Programme submitted by your Government (March 2018) is appropriate.	To some extent	Labour market reforms are needed in order to increase the probability of unemployed getting employed. Costs to firms have to decrease. Also, the housing market has to be reformed more extensively than what is planned by the government. For instance, better tax incentives that increase the number of transactions are needed.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	Among many important things addressed in the recommendations we stress the necessity to improve the efficiency of the housing market, by introducing more flexibility in setting rental prices and by revising the design of the capital gains tax to facilitate more housing transactions.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	Despite having a high employment rate, it is crucial to increase it further in light of the demographic challenges Sweden will face in the future.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	The Commission identifies household debt as a risk to the macroeconomic stability of the Swedish economy. We would like to stress that the future implementation of macroeconomic stability measures must not lead to an unnecessary curbing of loans to the corporate sector. The key issue for Sweden is the indebtedness of households, not firms. Therefore, measures should be implemented in a careful manner.

## Assessment of Country Specific recommendations 2018 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. Stimulate residential construction where shortages are most pressing, notably by removing structural obstacles to construction, and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.	Helpful (but not a priority)	Unsatisfactory	If implemented, the reduction in the tax deductibility has to be gradual. Furthermore, capital income tax should be lowered symmetrically. There is a need for increasing the turnover in the residential market. This is currently mitigated by the rent-setting system and capital gains taxation on residential property. We would also like to stress that increasing recurrent property taxes is not in line with what our Federation suggests as an appropriate means to deal with the increased indebtedness among households.

## Reform Progress in your Member State in 2018

How would you assess reform progress in 2018, for the following broad areas:

Taxation and Public Finances	Unsatisfactory
Business environment (regulation/access to markets)	Unsatisfactory
Labour market	Unsatisfactory
Innovation and skills	Mixed
Access to finance and Financial stability	Mixed

## Reform priorities for 2019

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
<b>Priority 1</b>	Labour market mismatch and labour mobility	The Swedish Public Employment Service needs to be reformed. It is particularly important that the job matching services are exposed to competition.	Yes and no
<b>Priority 2</b>	Tax reforms	Lower income taxes. In particular, lowering the marginal tax rate would have positive effects on long term growth.	Yes and no
<b>Priority 3</b>	Public sector efficiency	Implementing digital measures in the welfare sector to a higher degree in order to increase efficiency. Increase competition in education and health care to improve efficiency and productivity.	no
<b>Priority 4</b>	Business Dynamics - Start-up conditions	Implementing digital measures in the welfare sector to a higher degree in order to increase efficiency. Increase competition in education and health care to improve efficiency and productivity.	Yes and no
<b>Priority 5</b>	Labour supply measures for specific groups (older workers, women...)	Have to put appropriate incentive schemes in place in order for immigrants, elderly and young people to increase their employment rate. E.g. students should be incentivised to start working earlier.	Yes and no